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Commentary: Trump's Policies Don't Match His Promises

By Aviva Aron-Dine and Jacob Leibenluft

President Trump is expected to discuss three of his stated domestic policy goals in today's address to a joint session of Congress: repealing the Affordable Care Act (ACA), reforming the tax system, and making investments in the economy and those left behind. In all three areas, the Administration's lack of progress to date is not simply the result of typical legislative obstacles — instead, it reflects the fact that the President and congressional Republicans have made promises to the American people that are incompatible with their emerging policy choices:

- It isn't possible to repeal the ACA and cap and cut federal Medicaid funding while “tak[ing] care of everybody”¹ and “offering a much better health care plan at much less money”² — let alone keep President Trump's promise to protect Medicaid altogether.³
- It isn't possible to repeal the ACA taxes and add new tax breaks for the wealthy while living up to promises that “every decision” on taxes will “be made to benefit American workers and American families”⁴ and that (as Treasury Secretary Steven Mnuchin has said) “there will be no absolute tax cut for the upper class.”⁵
- It isn't possible to invest in areas like education or to assist workers and families left behind by the economy while slashing domestic discretionary spending, or to make needed investments in infrastructure while adhering to an approach that relies solely on tax breaks.

Unless President Trump reverses his and his party's policy commitments, or explains which promises he no longer intends to keep, his speech will do nothing to resolve these core policy dilemmas.

Health Care

President Trump has promised to replace the ACA with something that provides “good coverage at much less cost”⁶ — variously promising to reduce premiums and deductibles, ensure “insurance for everybody,”⁷ and maintain popular ACA provisions such as its protections for people with pre-existing conditions. Similarly, congressional Republicans have promised to meet or exceed the ACA's standards in health care access, affordability, and quality. Yet, after more than six years, Republicans still haven't presented a comprehensive replacement plan — largely because there's no plausible path for them to solve the following challenges:

- **Repeal would leave tens of millions of people uninsured and destabilize the individual market, creating an enormous hole for a replacement bill to fill.** By the end of the decade, the repeal bill President Obama vetoed last year would result in 32 million people losing coverage, individual-market premiums doubling, and 75 percent of people having no access to individual-market health plans, according to Congressional Budget Office estimates. While Republicans have offered piecemeal ideas like expanded health savings accounts and revamped tax credits as part of a “replacement,” these wouldn’t come close to undoing the damage from repeal.⁸
- **The ACA provisions that Republicans vow to repeal are essential to the ACA’s gains in access and affordability that Republicans say they want to match.** The ACA has succeeded in greatly expanding coverage and helping control costs while providing new consumer protections because its pieces work together. Republicans have committed to undoing major components of the ACA like its individual mandate and taxes on high-income individuals, pharmaceutical companies, and insurers. But without the mandate (or an equally effective alternative mechanism to bring healthy individuals into insurance risk pools), Republicans could maintain the ACA’s protections for people with pre-existing conditions only by allowing premiums and/or deductibles and other out-of-pocket costs to skyrocket for everyone. Similarly, repealing the taxes that fund two-thirds of the ACA’s coverage expansions — a top priority of many congressional Republicans — is fundamentally at odds with preserving the ACA’s coverage gains, because the subsidies needed to enable millions of people to afford coverage have to be paid for. And if Republicans try to obtain savings by cutting Medicaid heavily, as House Republicans apparently intend, the result would be to extend coverage losses to low-income children, seniors, and people with disabilities.⁹

These contradictions have slowed the process of repeal, as a number of Republican governors and senators have started to highlight the gap between the promises being made about repeal and its actual consequences. For example, governors and senators from states that expanded Medicaid have made clear that, in the words of Sen. Bill Cassidy of Louisiana, “you would not be able to fulfill President Trump’s pledge” of covering everyone while ending Medicaid expansion.¹⁰ In town halls across the country, Republicans have been pressed to explain how people with pre-existing conditions, for example, would still be able to afford to purchase affordable, decent-quality coverage.¹¹ And even as some Republicans insist on repealing all of the ACA’s revenue provisions, others, like Sen. Susan Collins of Maine, have asked: “If you defund the ACA, where do the funds come from for the replacement?”¹² There are no simple answers for these conflicts, which reflect deep tensions between core elements of repeal and the assurances President Trump and Republican elected officials are trying to provide.

Taxes

While potential disagreements among Republicans on corporate tax reform have received more attention, those differences are small compared to the gap between the promises from President Trump and his Cabinet and the actual consequences of the tax proposals he and congressional Republicans appear most committed to.

- **The “Mnuchin rule.”** Shortly after his selection for Treasury Secretary, Steven Mnuchin pledged that “there will be no absolute tax cut for the upper class” in Trump’s tax plan. But that rule is directly at odds with both the tax plan Trump offered during the campaign and

House Speaker Paul Ryan’s “Better Way” plan. Analysis by the Tax Policy Center (TPC) finds that these plans would direct 51 percent and 99.6 percent of their tax cuts, respectively, to the top 1 percent of earners in 2025.¹³ Importantly, the plans provide these benefits to the top even after TPC made generous assumptions about “base broadening” that would occur by removing certain deductions and tax breaks.

ACA repeal itself would also violate the Mnuchin rule, as rolling back ACA taxes would provide the 400 highest-income taxpayers alone with annual tax cuts averaging about \$7 million each.¹⁴ Even before other elements of a tax plan are taken into account, President Trump would be *starting* with a tax cut of several hundred billion dollars for the wealthy.¹⁵

- **Core elements of Trump’s stated approach to taxes tilt massively toward the top.** A centerpiece of President Trump’s tax platform is setting a special, very low rate for “pass-through” business income, which flows overwhelmingly to wealthy investors. Half of all pass-through income flows to the top 1 percent of households, with only about 27 percent going to the bottom 90 percent of households. Further, 40 percent of the proposal’s \$1.5 trillion cost over the first decade would result from high earners using the provision to avoid paying tax on their salaries and wages at the regular income tax rate, TPC estimates. Trump has also vowed to repeal the estate tax on inherited wealth, which affects only the largest 0.2 percent of estates in the country. These proposals — which are at the core of the tax agenda Trump has put forward to date — would make it all but impossible for a plan to meet the Mnuchin rule.
- **A promise to help working Americans — even as deep spending cuts loom alongside large tax cuts.** President Trump claimed in his inaugural address that “every decision” on taxes would “be made to benefit American workers and American families.”¹⁶ Yet the specific ideas he has put forward would do little for most low- and moderate-income Americans. For example, the Trump campaign said his proposal for child care tax benefits would help struggling working and middle-class families. But the proposal represented only roughly 2 percent of the net cost of his campaign plan — and even it is tilted to higher-income families, as a new TPC analysis shows.¹⁷

More broadly, the Trump Administration and congressional Republicans have laid out an approach that would pair regressive tax cuts costing trillions of dollars — \$6 trillion over ten years in the case of Trump’s campaign plan — with deep cuts to investments that benefit working Americans. Even if the details of these plans change in a forthcoming budget, President Trump will face the same bind. As long as he pursues a plan centered on high-income tax cuts, there is no way to meet his stated commitment to reducing deficits without turning to deep spending cuts that would redistribute wealth upward from working families to the wealthiest households.

Investments in Strengthening the Economy

President Trump has called for domestic investments that can strengthen the economy, and an outline of tonight’s speech shared with conservative outlets promised efforts to “mak[e] sure every child in America has access to a good education” and provide help to the “poorest and most vulnerable communities.”¹⁸ He has also highlighted his desire to invest in infrastructure — promising, for example, to “fix our inner cities and rebuild our highways, bridges, tunnels, airports, schools, hospitals.”¹⁹ The economic case for these investments is strong, as they would create good jobs in the near term and boost long-term productivity. Yet an approach that slashes domestic

spending — as Trump and congressional Republicans have committed to — makes effective investments in both these areas impossible.

- **Deep cuts to domestic discretionary spending.** Just yesterday, the Trump Administration proposed cutting non-defense discretionary funding \$54 billion below even the historically low levels that would occur if the sequestration cuts take full effect next year.²⁰ This budget category funds K-12 education, medical research, child care, and other domestic investments President Trump has cited as priorities. These cuts would slash funding in this area by 11 percent below 2017 levels even before adjusting for inflation — and the cut would grow to 15 percent just to implement already enacted increases in Veterans Affairs health funding and to keep Department of Homeland Security funding flat. (Trump has indicated he will raise spending in both areas.) The end result would be domestic discretionary funding a full 25 percent lower than in 2010, after adjusting for inflation.²¹ And reportedly, the Administration is planning deep cuts to other categories of domestic spending.²² Quite simply, there is no way to make the investments Trump has promised while taking this approach on discretionary spending.
- **An infrastructure plan that provides a tax windfall to the wealthy — rather than addressing real needs.** On infrastructure, Trump has spoken of major investments but has yet to commit, even in broad outline form, to the new spending that would be needed to support necessary projects. Instead, Trump’s advisors offered a dubious, jerry-rigged proposal in the campaign that relies entirely on tax breaks for investors in infrastructure projects. Under this approach, developers would receive federal tax credits equal to 82 percent of their equity investment and make profits from the tolls or fees they would charge.

This approach might avoid the ire of congressional Republicans who oppose all new spending, but it poses several downsides. It is impossible to ensure that these tax breaks would finance truly new investment, so they would likely subsidize many infrastructure projects that would have occurred anyway, thereby providing windfall benefits to those projects’ wealthy investors. At the same time, this scheme would do nothing for the vast majority of needed infrastructure projects, which are unlikely to turn a profit — such as road repairs, rebuilding schools, and providing clean water in cities and rural areas all over the country.²³ President Trump has been all but silent since his inauguration about whether this remains his plan. But so long as he and his fellow Republicans refuse direct new spending on infrastructure, he will struggle to deliver major investments in priority areas.

According to previews from the Administration, President Trump plans to “check off the promises he made to the American people” in tonight’s speech.²⁴ But on the core elements of his domestic agenda, every indication is that a wide gap remains between what he is promising and what he plans to deliver.

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